

**DRAFT**

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM: Human Resource Modernization and  
Compensation Task Force

SUBJECT: Proposals to Improve the Agency Awards Program

1. Action Requested: Approval of the individual recommendations contained in Tabs A, B, and C.

2. Background: On 13 November 1987, the Executive Committee (EXCOM) charged the Human Resource Modernization and Compensation Task Force to develop a plan to improve the Agency's current awards system and provide better tools for managers to reward the employees who are most responsible for the success of the Agency's programs. In response to this tasking, three proposals are presented for consideration.

3. In our initial examination of the current awards structure, we noted that in the past five years the average first year cost of within grade longevity increases granted by the Agency exceeded 1.25 percent of payroll. In comparison, the average first year cost of QSIs awarded during that same period, together with our cash award program, amounted to less than 0.30 percent of payroll. Our proposals address this disparity and would refine current awards programs to give Agency managers an increased ability to quickly reward good performance.

Chairman  
Members

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Proposal 1: Delegation of Approval Authority

In the past, the award process was cumbersome and somewhat removed from the line manager because a substantial number of awards required review by an interdirector committee. In October 1987, greater award approval authority was given to the Directorates and Offices. This change had a positive effect. Managers, feeling less encumbered by red tape, began to give considerably more awards to their top performers and a signal was sent to employees that good performance would be recognized. We propose a further delegation of award authority so that almost all but the most substantial awards could be given out at the Directorate level or below. Accordingly, we propose raising the Deputy Directors' award approval authority from \$2,000 to \$5,000 and giving the Deputy Directors the flexibility to redelegate this authority as they see fit.

We also recommend that authority to approve QSIs be delegated to Office Directors and DO Division and Staff Chiefs. This will correct the existing anomaly which allows Office heads to promote employees to relatively senior levels but not to approve less costly QSIs.

RECOMMENDATIONS:

a. Delegate the authority to Deputy Directors to approve cash awards up to \$5,000.

APPROVED ( )

DISAPPROVED ( )

b. At the discretion of the Deputy Director, redelegate to Office heads the authority to approve cash awards.

APPROVED ( )

DISAPPROVED ( )

c. Delegate to Office Directors and DO Division and Staff Chiefs the authority to approve QSIs.

APPROVED ( )

DISAPPROVED ( )

Proposal 2: Increased Awards BudgetLump Sum Cash Awards

Agency management has come to view performance awards as an increasingly more important part of human resource management. In FY 83 we awarded [ ] for both Exceptional Accomplishment (EA) and Special Achievement\* (SA) awards. By FY 87 the amount had increased [ ] Nevertheless, the FY 87 figure corresponded to only 0.28 percent of the Agency payroll. In contrast, the Office of Personnel Management recommends that Federal agencies allocate approximately one percent of payroll for Sustained Superior Performance awards alone plus additional unspecified amounts for special achievement, QSIs, and suggestion awards. If we are to accelerate the growth in Agency cash awards to be more in line with OPM guidelines, we need to continue our efforts (Proposal 1) to remove the bureaucratic impediments which make it difficult for managers to give awards. We also need to budget for planned growth. 25X1

In recent years, the Agency awards program has been consistently underfunded. Money for awards generally runs out before the end of the year requiring a significant addition of new funds to keep the program going. We propose that this figure be increased to 0.5 percent of payroll [ ] in FY 88, 0.75 percent [ ] in FY 89 and finally to one percent [ ] in FY 90. We should seek the additional personal services budget to accommodate this increase or shift program money to allow for this addition in awards funding. Even if we spent the entire budgeted amount in FY 90, we still would be under the Office of Personnel Management guidelines because the one percent would not only cover Sustained Superior Performance awards but also Exceptional Accomplishment awards. 25X1 25X1

Quality Step Increases

We also examined the utilization of Quality Step Increases (QSIs). Over the last five years the number of QSIs awarded to Agency employees has fluctuated between [ ] with no distinguishable trend. The average first year cost of a QSI has been \$1,000. This small first year cost is magnified because, historically, the average QSI is worth an estimated \$4,000 in additional salary (FY 87 dollars) during the first six fiscal years after it is given and could ultimately be worth over \$6,000, or about 0.5 percent of payroll. Reducing the number of QSIs given in subsequent years only gradually reduces the outyear costs. Similarly, if we increased, perhaps doubled, the number of QSIs given out each year, the first year costs would not be significant but, over time, we would have committed another 0.5 percent of payroll to QSIs. 25X1

\*Now called the Sustained Superior Performance Award (SSP).

Because of the impact of the QSI on average salary growth, we recommend that the number of QSIs not be increased significantly beyond [ ] which are now given annually. Instead, as recommended above, we suggest adding what additional money can be afforded to the cash award budget, since this would have no outyear cost impact. .

25X1

The one exception to our recommendation to retain generally the current policy on QSIs pertains to the Intelligence Secretarial System. If the Agency award strategy will continue to allow GS pay scale and Communications pay scale employees to receive permanent salary increases or QSIs, we should reverse the policy that prevents secretaries from receiving such increases. We recommend, therefore, that within the overall allocation of [ ] secretaries be allowed to receive QSIs.

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#### Agency-wide Awards

Although the primary locus of award authority would rest with the Deputy Directors and Executive Director, we recommend a separate awards budget, managed and administered by the Director of Personnel, for Agency-wide awards such as the Secretary of the Year and Engineer of the Year and for awards beyond the amount delegated to the Deputy Directors. These latter would be reviewed, as they are today, by an interdirectorate Suggestion and Achievement Awards Committee, chaired by the Director of Personnel.

#### Budgeting for Awards

Within the overall strategy of increasing the Agency budget for Exceptional Accomplishment and Special Achievement Awards to one percent of payroll, we recommend that the awards budget be developed and approved as any other line item in a component's annual budget submission. Component budget requests would be aggregated and refined at the Directorate level and brought to an annual EXCOM meeting. At that meeting the Directorates award requirements would be reviewed against Comptroller guidance on the availability of funds and an awards budget decision reached. The awards budget would be divided among the Directorates and the DCI area in the same way that other personal services funds are divided.

The Directorate awards budget would be under the control of the Deputy Director and could be administered centrally or divided as appropriate among the components; however, the Directorate which nominated an individual for an award would be responsible for the cost of that award.

The adequacy of the QSI pool also would be evaluated by the Directorates on an annual basis and a decision reached by the EXCOM as to the appropriate number of QSIs. Obviously, the costs of QSIs can vary substantially if the grade distribution of the employees receiving them changes from the historical norm. In order to avoid unexpected outyear cost impacts, the Office of Personnel will do an annual QSI cost analysis to ensure that the value of the QSI, as a percentage of payroll, does not exceed planned dollar or percent of payroll limits.

### Senior Intelligence Service Awards

The current budget for SIS performance awards is three percent of the SIS payroll. In recent years approximately 34 percent of the SIS population has received a performance award each year. Of this number, approximately 45 percent of the awardees has been given a five percent award, 30 percent given a 10 percent award, 20 percent given a 15 percent award and five percent given a 20 percent award. With only 34 percent of the SIS population receiving performance awards, a significant number of SIS officers who deserve recognition for their performance go unrewarded. When the Senior Executive Service (SES) began, agencies gave approximately 50 percent of their SES members an award. Congress quickly stepped in and mandated that only 30 percent of an Agency's SES population could receive an award. This stricture was modified last year so that up to 60 percent of the SES members within an agency may receive performance awards. If we are to significantly increase the number of SIS officers who get a performance award, either we must reduce the size of the individual awards or increase the awards pool. In our view, increasing the award pool to four percent of the SIS payroll over the next three years is the better solution. Indeed, the SES advisory board has urged the Office of Personnel Management, though thus far without success, to seek an increase in the awards pool to five percent.

We also recommend that the SIS Rank Stipends be changed from their current fixed amounts of \$10,000 and \$20,000 to the percent of pay these dollar amounts represented when the SES system was begun. Because salaries have risen and the stipend award amounts have not, the Distinguished Officer Stipend which was worth 38-40 percent of salary in 1978 is now only worth 26-31 percent and the Meritorious Officer Stipend which was worth 19-20 percent of salary is only worth 13-15 percent. Thus, for example, persons selected to receive 20 percent performance awards now receive a higher cash award than those who receive a Meritorious Officer Stipend (MOS), and, most often even those who receive a 15 percent performance award will probably receive more than \$10,000. This situation often places managers in the curious position of having to choose between recommending a higher cash award that carries with it less prestige or a more prestigious award of less monetary value. To correct this situation we recommend that the value of the MOS be changed from the fixed amount of \$10,000 to 20 percent of salary, and that the value of the Distinguished Officer Stipend (DOS) be changed from \$20,000 to 40 percent of salary. In this way the value of these awards will be brought up to date and will remain current with any changes in SIS salary.

### Non-Monetary Awards

We also considered a number of ideas for non-monetary awards which might have Directorate or Agency-wide utility and also special awards unique to particular components. We did not believe that the EXCOM should address any specific ideas at this time but rather should encourage the Directorates and components to explore what additional non monetary awards are appropriate and to implement such awards on a trial basis.

RECOMMENDATIONS:

a. The Agency budget for Exceptional Accomplishment and Sustained Superior Performance Awards be increased to one percent of payroll, phased in over a three year period.

APPROVED ( )

DISAPPROVED ( )

b. The number of QSIs initially be kept constant,  but reviewed by the EXCOM annually in light of Directorate requirements and the Office of Personnel analysis of budgetary impact.

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APPROVED ( )

DISAPPROVED ( )

c. The EXCOM determine the annual cash award budget and number of QSIs and divide both among the Directorates and the DCI area.

APPROVED ( )

DISAPPROVED ( )

d. The Director of Personnel be responsible for budget development and administration for Agency-wide awards such as Engineer of the Year, Studies in Intelligence, Secretary of the Year, and awards over the amount delegated to the Deputy Director.

APPROVED ( )

DISAPPROVED ( )

e. Secretaries be permitted to receive QSIs.

APPROVED ( )

DISAPPROVED ( )

f. The SIS performance award pool be increased from the current 3 percent of SIS payroll to 4 percent.

*increase  
to 6.25%*

APPROVED ( )

DISAPPROVED ( )

g. The SIS Meritorious Officer Rank Stipend be increased from \$10,000 to 20 percent of salary and the SIS Distinguished Officer Rank Stipend be increased from \$20,000 to 40 percent of salary.

APPROVED ( )

DISAPPROVED ( )

### Proposal 3: Simplify the Award Process

#### One Award Concept

Presently there are a variety of awards which may be presented to employees for superior performance, special achievement, or one time contributions. These include:

- Exceptional Accomplishment Award (EA)
- Sustained Superior Performance Award (SSP)
- Quality Step Increase (QSI)
- IS Performance Awards
- SIS Performance Awards
- Commo Banding Awards

There are three basic problems with the current system. First, the criteria is not always clear for determining which of the awards is most appropriate. The manager is thus required to make fine and sometimes useless distinctions as to whether the award should be for sustained superior performance over many months or should be an Exceptional Accomplishment award for a single project which took six-eight months to complete. Second, in the case of the Intelligence Secretary System, those who get an Exceptional Accomplishment Award, receive an Agency certificate like any other employee, while those who get the Secretarial Performance Award receive a certificate which labels them as secretaries. Third, employees in the Commo banding system who get three and four increments, a signal honor, do not receive any certificate recognizing their accomplishment and SIS officers who get performance awards also do not receive a certificate.

To address these issues, it is recommended that the above awards be combined under a single Exceptional Performance Award. The evaluation and approval process for determining recipients of awards would remain unchanged. But regardless of the type of award, each recipient, in addition to the cash or salary increase, would be presented with an Exceptional Performance certificate in recognition of his or her achievements. This would allow managers to focus more appropriately on the amount of the award and whether it should be in the form of a one-time payment or permanent salary increase (QSI), rather than on fine distinctions between performance and single accomplishments. This would establish a program in which all award recipients, regardless of the reason, receive a certificate commemorating their performance. It also would eliminate undue categorization on certificates regarding the type of award.

#### Meritorious Unit Citation

The Meritorious Unit Citation permits managers to recognize exceptional group and team efforts. However, there is often confusion about the appropriateness and method of attaching cash awards for individual team members. Many managers do not realize that cash also can be awarded through the EA or SSP process. However, if a cash award is considered, the manager must prepare separate recommendations for each individual. This is extremely

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cumbersome and acts as a deterrent to what might otherwise be an appropriate award mechanism. To simplify this process, we propose that, within the delegated approval authority outlined in proposal 1, a cash award option be added to the Meritorious Unit Citation. (The required approval level would be based upon the dollar amount of the award each person receives, rather than the total amount of money given to all persons with the Meritorious Unit Citation.) Recognition of exceptional group or team efforts thus would be combined into one process providing a quick and efficient method of rewarding this type of collective performance.

RECOMMENDATIONS:

a. Implement an Exceptional Performance Award to combine under one award the current various cash award and QSI programs listed above.

APPROVED ( )

DISAPPROVED ( )

b. Add a cash award option to the Meritorious Unit Citation.

APPROVED ( )

DISAPPROVED ( )

APPROVED:

\_\_\_\_\_  
Deputy Director for Central Intelligence

\_\_\_\_\_  
Date